

One Year On: How a Ukrainian Distributor Mitigated Risk in a War Zone

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DKT International's partner in the Ukraine explains how their business kept moving forward against all odds

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By Michelle Schaner, DKT International



Kharkiv, Ukraine — November 23, 2022: Gynecologist's office in a destroyed hospital of Northern Saltivka.

It was a few days into the war in Ukraine and Russian forces were 20 kilometers outside of Kiev. Roman Gladkyi's warehouse was full of pharmaceutical products and five kilometers from the front lines. As the shelling started, Gladkyi was in shock and worried about everything and everyone — his inventory, his country, his family, his employees and his friends. But as the director of a large company, he was laser-focused on two big things: how to keep his business going and how to mitigate risk for both his business and employees.

The reality on the ground, in those early days, was bleak.



You want to close your eyes and say, 'It's not happening to me – it's a dream'.

“All of this rocket shelling and everything had shut down,” he said. “Our warehouse was being used by the military as a campus. We just stopped operations for (the first) month, but we kept all the people and paid a reduced salary... nobody could predict what would happen in one or two days,” he said.

“One moment, you want to close your eyes and say, ‘It’s not happening to me — it’s a dream,’” Gladkyi said. “You want to wake up and say, ‘Okay, it’s a dream.’ But unfortunately, it’s not a dream. And after you realize that, you have to continue to live and you have no choice.”

Gladkyi is an obstetrician/gynecologist by training, but is also the owner of Kleemed, a distribution company that sells medical products, including reproductive health products, and serves as DKT International’s partner in the Ukraine. In 2021, Kleemed grossed 2 million euros and was on track in 2022 to double its profits. But then came the war. Gladkyi’s business strategy had been focused on supporting specialized doctors and reproductive health, but the conflict brought an end to routine services and many doctors completely stopped seeing patients. The new reality of war had shifted everything for Gladkyi and Kleemed, but the future success of his company would come to be determined in the critical days just before and after the bombing started. Success or failure would hinge on key decisions that would not only save Gladkyi’s business, his employees’ jobs and his inventory, but would launch his company in a new and potentially more profitable direction.



Kleemed distribution center. Roman Gladkyi/Kleemed

Protecting the investment and the team

Gladkyi made a move in the first month of the conflict that would prove paramount to the survival of his business: he relocated his inventory to a “safe house,” the home of one of his employees located west of Kiev, which was considered to be safer than points east at that phase of the war.

“One day we found the opportunity — when all the roads from Kyiv were opened — we found a truck, loaded the truck with all the products and sent them west...we stored it for two months. And in May, we returned to normal warehousing.”

By April, with the inventory safe, he was able to renew operations and turn attention to his employees, many of whom were hiding, migrating and resettling in Poland or Germany. Some were on the run to avoid being caught behind enemy lines. Employees were told to stay out of Kiev and deciding whether and when it was safe to return weighed heavily on Gladkyi’s mind.

“When they’re shelling with ballistic missiles half a kilometer from the office, as a director, I’m not able to say to people, ‘Please go to work.’”

To keep connected during the most challenging times and with remote teams, he turned to social media and chat tools — creating a Viber group and asking employees to text a “+” if they were okay, to provide their status (were they safe?); their location; and asked what he could do to support them. Throughout this time, he continued to pay them, and after two months, much of the Kiev team returned to the office. Soon, they began to organize Zoom meetings to keep the workflow moving — to provide opportunities for internal teams to better coordinate and discuss activities with direct subordinates.

“Everything that is not killing you is making you stronger”

Three months in, and just as his team was starting to gain momentum, the financial realities began to sink in — currency devaluation, inflation, and supply chain interruptions started to take a toll on profits and operations. Unlike other companies who were struggling to pay their employees, Gladkyi found himself in a fortuitous position: Just prior to the start of the conflict, he had decided to open a second company in Warsaw, which had been in the works for some time prior to the war. When the conflict actually began, the new company was already registered, bank accounts were open, and therefore, Kleemed did not experience the same interruptions to business that others operating only inside Ukraine were experiencing.

Still, Kleemed was forced to raise prices on their products to make up for losses driven by the war, and Gladkyi estimates that 30 percent of their previous customers had lost their jobs and businesses. Not only had they lost their jobs, he said, they had lost their cities. Many of the nation’s women between the ages of 20 to 30 — those who were purchasing the products he was selling — left the country in the war’s early days; as did doctors Kleemed had trained, sold products to, or who had prescribed Kleemed’s products to clients.

They were all fleeing the country for safer ground.



***You cannot collect money
because the pharmacy just
does not exist anymore.***

“Many pharmacies just lost their shops,” he said. “So many of them were destroyed. So, the pharmacies asked the suppliers for some credit or compensation for the distributors. Then, you lose from the exchange rates. Then, you lose money compensating the pharmacy and you’re not able to collect the money because the pharmacy just does not exist anymore.”

In normal times, Ukraine was easily accessible by air and Kleemed was able to receive daily shipments from India or Taiwan within five or six hours. After the war began, flights through former routes were blocked and Gladkyi redirected some operations to the second company in Poland. Using Warsaw as a hub, he started moving more products to a second warehouse site in Poland to mitigate risk (should the Ukraine warehouse experience damage or loss) and then delivered those products by truck to Ukraine.



Destroyed pharmacy in Ukraine.

This new process was, and is, expensive and time consuming and has made Gladkyi become more precise in his forecasting, but he doesn't mind the changes, he said, as it has also forced him to plan two to three months in advance.

"So, (I thought), now it works. We can do delivery through Europe or Poland. If necessary, keep it in Poland and we can deliver directly from Europe to Ukraine. So, we diversified the risks again."

The search for manufacturers opens the door to new partners: In comes DKT International

The supply-chain and inventory interruptions brought on by the conflict completely shifted the market away from a reliance on Russian/Belarusian-produced IUDs, to those manufactured in Europe and India. It was this shift in the IUD market that strengthened an existing partnership between DKT WomanCare and Kleemed and allowed for new business to be done together.

DKT and Kleemed first connected in 2021 with plans to begin working together in the second quarter of 2022. Kleemed was to receive its first shipment from WomanCare in March for a different product, but a technicality requiring the Ukrainian language to be on the packaging of that product held up the first shipment, said DKT WomanCare's

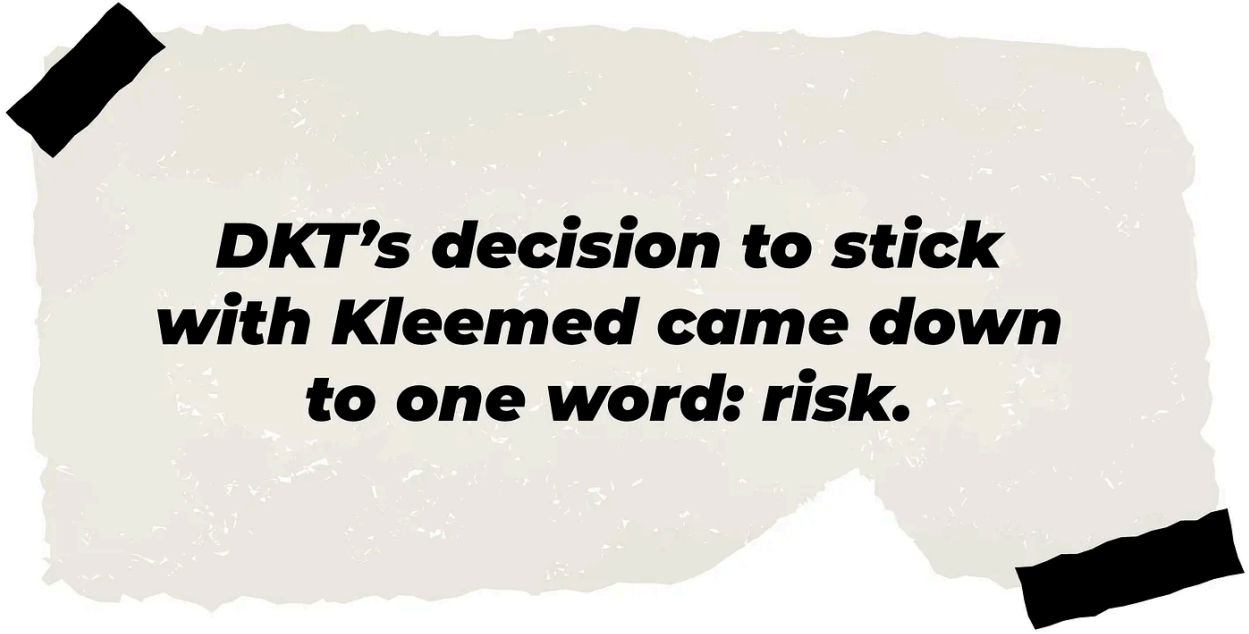
Director of Strategy and Development, True Overholt. When Russian forces invaded and the plan was shelved and the deal was off. By March, however, needs had changed again and now Kleemed was looking for a new IUD supplier. Because the relationship had already been established, DKT was well positioned to be able to fill the supply gap and serve as the middleman between Kleemed and Pregna to import IUDs from India.

Why would Kleemed need to use DKT WomanCare as a middleman with Pregna? Under normal business conditions, they might not, but when a country or region becomes politically unstable, some manufacturers are not willing to extend credit to a company from that country or region. In this instance, DKT vouched for Kleemed and bet both on Kleemed and the people and potential that exists in Ukraine's market. A lot of organizations might not be thinking about how to increase their exposure during a conflict, Overholt said, but DKT has a "higher risk appetite" than other organizations and took the chance to walk through an open door.

"Our insistence at DKT is to find a way to get these items from Point A to Point B," Overholt said. "You have to be willing to place bets to move the needle in a meaningful way. Other people would be claiming — this is an incidence of war and we no longer have to honor the terms of the contract. And DKT's insistence is, 'What more can I do?'"

The decision to stick with Kleemed came down to one word, Overholt said: risk.

"We were comfortable doing that because we knew Roman and we knew Kleemed. We decided that our relationship is a long-term partnership. If not for war, we would be partnering with Kleemed to build a strong understanding of MVA work with our distributors. We feel it is a risk worth taking."



DKT's decision to stick with Kleemed came down to one word: risk.

The first shipment of 1900 Pregna-produced IUDs arrived in August. By October, Kleemed had placed a second order for 2400 IUDs and had re-activated its plan to import the previously canceled items in 2023.

How does one access contraceptive devices in a war zone?

The challenges didn't end once Gladkyi resolved the supply chain issues he and his team were initially facing with the onset of the war. Once the products were available and in-country, how would Kleemed distribute goods in a war zone? If a woman wants an IUD, how does she find a doctor? How does she know if the doctor is properly trained to insert the device? How does the IUD get delivered and how does she access it if the pharmacies are destroyed or closed?

Kleemed was a well-established and highly regarded company with the country's medical professionals prior to the onset of the conflict and routinely provided training and supplied pharmacies with a range of products. Ukraine also had a highly organized health system made up of government clinics, regional maternity houses and a tight network of doctors, midwives and nurses. The existence of that system, he said, made it possible for Kleemed to restart operations when the moment was right.



Kleemed distribution center. Roman Gladkyi/Kleemed

Business stopped for the first two weeks of the war — as Gladkyi’s warehouse was located on the front lines — but once the Russian army was pushed back and Gladkyi had access to his warehouse, he and his team got back to work, often personally delivering back-ordered shipments or using couriers who were eager to keep business moving despite the difficulties faced.

With operations resumed, the salesforce of medical doctors and pharmacists adapted to the changed circumstances and moved all training online, using Zoom, Microsoft Teams and Viber.

“Thanks to the digitization of marketing...it’s quite easy,” he said. “People can be sitting in Germany, in Poland, in Ukraine and we are doing meetings, discussing the benefits of the products. Even from Poland, there can be distant visits from specialists. They can call the doctors and say, ‘Hello, doctor! I’m here! What about my product?’ It has not been a complete disaster.”

In Ukraine, doctors are not permitted to sell pharmaceutical products and medical devices such as IUDs can only be purchased at pharmacies and clinics or directly through a distributor such as Kleemed. Gladkyi estimates that 70 percent or more of sales prior to the war were through pharmacies and clinics. This completely changed when the fighting started. For those first two weeks, 100 percent of orders were online, directly through his company’s website, which patients found through referrals from their doctors and clinics. He expects the trend towards digitalization of the market to continue in 2023.

His team also delivered products themselves when they could and used a network of couriers and the country’s postal service to begin deliveries to areas that were not occupied. In areas that were occupied, Gladkyi’s network of doctors was still working to get products to their patients; and if those areas were liberated, Gladkyi said it only took a few days for the previous network to be reactivated, orders to start coming in again, and for the country’s postal service to begin delivering products to the women, doctors and clinics that needed them.



***Postal workers often travel
under the protection of the
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make deliveries***

The seamlessness of the process is made possible, Gladkyi said, because the people of the Ukraine have been united in their support of one another throughout the conflict. The government coordinates with the business community to reduce the financial and logistical pressures business leaders have faced. They have also reduced taxes, relaxed some regulations and even utilized the armed forces to help businesses move commercial goods around the country when necessary.

Even the postal service has been a critical player in the survival of his business, he said, as once orders are picked up from the warehouse, a postal worker often travels under the protection of the army and special forces to make a delivery.

“You enter the website. Just click to make an order and you have a contact from our call center and that’s it,” he said. “(The call center worker says), ‘Okay. What is your address?’ They check to see if the address is served by our postal provider. And after that, we give the command to the postal provider, they pick up the goods from our warehouse and deliver it to the customer.”

“All the people are together”

It has been one year since the conflict began, and although the daily reality of rockets and fighting weighs heavy in the heart and mind of Gladkyi, he is resolute in his vision for Kleemed and his belief in the ability of the Ukrainian people to endure and overcome.

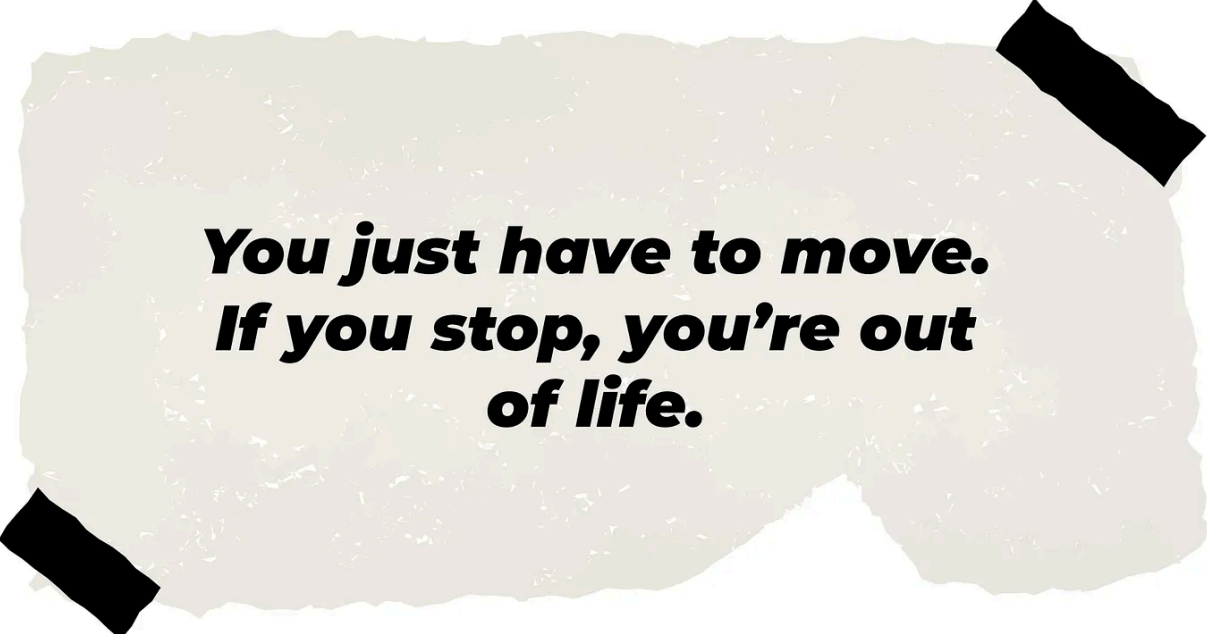
“You know, all Ukrainians are patriots,” he said. “We did not expect such a strong unification of our nation. There was always speculation that Ukraine is a little bit divided — between Western Ukraine and Russian speakers. But now, when it started — now, this war — all people are together. We have a common enemy and that’s it.”

Of course, there are power cuts (when the power is cut, they turn on the generators), and a recent increase in fighting and rocket attacks on Kiev, but the system continues to work, he said. His business is humming along in both Ukraine and Poland. They are recovering and heading in new directions and life, as it is, goes on. One year in, Gladkyi said the trend is that “for the moment — everything is in a good way. We continue to work and people in Kiev, they continue to work,” he said. “That’s it.”



Kleemed staff in Ukraine having their holiday party by candlelight because the electricity went out.
Roman Gladkyi/Kleemed

Many who fled the country in the initial weeks of the war, have returned to their homes in Ukraine and doctors have gone back to their offices and clinics. Clinics are open for consultations and Kleemed’s business process is now “quite good,” Gladkyi said. Overall, for the year, he said volume dropped by 15 percent compared to the previous year, but added that “with this situation, it not dramatic”



***You just have to move.
If you stop, you're out
of life.***

“In units, it’s more or less the same,” he said. “You just have to move. If you stop, you’re out of life, out of normal life,” Gladkyi said. “I think it’s just for everyone now — you just continue to do your job. Soldiers are fighting. Doctors are treating. My position, I have to pay a salary to my people because they have to live and survive and I do everything — what I can — just to provide them with this option. I don’t think about profit now. Of course, I need the profit to keep the company alive — just at least to be on zero level to pay the salary.”

“I will gain profit after the war.”

At-a-glance: The 4 ways Roman Gladkyi kept business

thriving during a war

At a Glance

HOW DID A UKRAINE SUPPLIER KEEP BUSINESS ALIVE - AND THRIVING - DURING A WAR?



Be Agile



Stay focused.

What is the task at hand? It is easy to become overwhelmed with day-to-day tasks when life is business-as-usual, but in a conflict, it could be paralyzing. Roman Gladkyi was able to keep his company moving because he successfully compartmentalized tasks and focused on what was important in the moment.

Adapt, adapt, adapt.

Gladkyi adjusted to the changing nature of the conflict by staying one step ahead of disaster at all times. Some of this could be attributed to luck, but Gladkyi also maintained a satellite office in a neighboring country to protect inventory and keep day-to-day operations moving when unexpected fighting arose.

Keep inventory in more than one location.

Gladkyi was fortunate enough to be able to move his inventory to a "safe" location when the conflict began, but he also had the foresight to expand. He didn't rest on his laurels, but planned for the worst and acted on his plans.

Keep relationships with partners fresh and positive



Don't burn bridges.

You never know when you might need those old partners down the line and for Kleemed, the networks established prior to the conflict were what sustained the business when push came to shove. It was the small armies - the armies of

Diversifying manufacturers and supply lines.

With Belarus no longer an option, Kleemed was able to reactivate old partnerships to find new supply lines and products. These relationships - such as the one with DKT WomanCare - were strengthened by the conflict

Adapting with the times - using technology to change the business model.

Prior to the war, Kleemed had already begun to adapt its online tools and presence to better connect doctors, pharmacists and customers, but the war forced Gladkyi to fast forward many of those

pharmacists, doctors, nurses and postal workers – who kept everything moving after the bullets started flying.

and are now key to keeping the business afloat.

processes.

Keep employees (and all partners) safe, connected, paid and productive



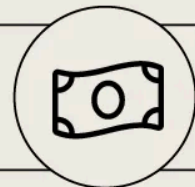
Let your employees know you're with them.

In the first days of the war, Gladkyi established communication channels, let his employees know they still had jobs, and adapted to their needs to keep them onboard.

Leverage the technology available to you to keep communication lines open.

Whether it was setting up chat groups in the initial days, or setting up Zoom meetings with doctors after things got settled, Gladkyi found new ways to keep his employees connected to one another and their partners. He realized that people want to keep working and kept them working.

Keep doing the work – the money will follow



Worry about profits later – stay in the game.

If there is no business, there is no profit, so Gladkyi's focus on keeping the business alive helped him keep Kleemed afloat

Stay as positive as possible and keep moving forward.

Gladkyi's ability to stay focused on his business gave his employees and partners the power to keep their own families going—which is no small achievement. While this doesn't mean Gladkyi doesn't (and didn't) experience the immense loss taking place around him, he didn't give into the pressures. One year on, it made the difference.



I think it's just for everyone now – you just continue to do your job. Soldiers are fighting. Doctors are treating. My position, I have to pay a salary to my people because they have to live and survive and I do everything – what I can – just to

provide them with this option.

